The Stop & Shop Companies Annual Report 1972


Stop & Shop

Comparative Highlights

	53 Weeks Ended February 3, 1973	52 Weeks Ended January 29, 1972
	(In Thousands)	
Sales	$ 994,469	$907,734
Earnings:		
Before taxes on income	10,803	4,500
After taxes on income	6,400	3,561
Reinvested in the business	3,562	729
% of net operating earnings to sales	0.64%	0.39%
Per share of common stock based on average number of shares outstanding during the year	2.03	1.13
Cash dividends paid	2,838	2,832
Cash dividends per share of common stock	.90	.90
Current assets	103,261	98,868
Current liabilities	66,463	62,373
Working capital	36,798	36,495
Current ratio	1.55	1.59
Stockholders' equity	66,751	63,153
Stop & Shop Supermarkets in operation at year end	154	156
Bradlees Department Stores in operation at year end	56	53
Medi Mart Drug Stores in operation at year end	19	18
Perkins Tobacco Shops in operation at year end	34	33
FunStop Stores in operation at year end	0	3

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Annual Meeting

June 5, 1973 at 1:30 P.M. at the Company's offices
393 D Street, Boston

We look back on 1972 as one of the toughest years in the history of our Company, a time of testing to the limits of our capabilities.

We are then, all the more pleased to report that it was a year of record sales in all divisions and of profits that were, on balance, satisfactory.

Sales for the 53 weeks of fiscal 1972 were $994,-469,000, which compares to $907,734,000, in fiscal 1971's 52 weeks. Earnings in 1972 were $6,400,000 or $2.03 a share, compared to $3,561,000 or $1.13 a share in 1971.

Net Sales:	1972	1971
	(In Thousands)	
Stop & Shop Supermarkets	$733,797	$683,020
Bradlees Department Stores, including FunStop Stores exclusive of licensees' sales	$228,264	$200,103
Medi Mart Drug Stores	$ 26,056	$ 19,545
Charles B. Perkins Tobacco Shops	$ 6,352	$ 5,066
Total:	$994,469	$907,734

Our Stop & Shop people, working together, achieved those results in spite of burdens imposed upon us by Federal wage-price controls on the one hand, and by wholesale prices which reached historic highs on the other.

We have cooperated fully with the Government in its efforts to restrain inflation even as we sought modifications of regulations which we believe focus unfairly on the food retailer.

Pay Board review of several of the labor union contracts negotiated in 1972 caused regrettably long delays in the implementation of terms of those contracts, and in several instances approval of only part of the wage increases negotiated.

As of March 22, 1973, all approved increases had been computed and paid out retroactively, at a substantial cost in personnel and computer time. All improvements in benefits negotiated in the contracts were approved by the Board.

We were heartened that the board also approved the continued implementation of our Company-wide incentives programs, which affect hundreds of our key people, including Store Managers and Buyers in Bradlees, Medi Mart and Stop & Shop.

We believe the continuing trust between our people and the Company was the most important element in creating the environment in which we operated last year.

That it was a successful year was a result of a number of factors:

The growing emphasis on the Store Manager in all our Companies.

A streamlined Grocery Distribution System now fully recovered from the long standing and severe effects of the disastrous fire in 1969.

The Marlboro Meat Processing Plant, which by year's end was supplying all stores in the six states ser-

Senior Management: Sidney R. Rabb, Avram J. Goldberg, Irving W. Rabb

viced by the Stop & Shop Supermarket Company.

The integration at Braintree, Massachusetts, of Bradlees and Perkins Tobacco warehousing.

The successful development by Bradlees of the 100,000 square foot prototype store.

The development of Stop & Shop, Bradlees and C. B. Perkins Tobacco private label items.

The cooperative spirit in which we made the tremendous effort necessary in data processing, accounting and personnel to comply with Wage and Price Controls.

We believe we were able to respond to government controls and rising wholesale prices because as a Company we have always endeavored to be in the forefront and to anticipate challenge.

That leadership in such areas as Open Dating and Nutritional Labeling paid off in what is becoming the most sensitive area of the retail business: Consumerism.

To give concrete and visible emphasis to our basic philosophy of dealing fairly with our people, William A. Cullen was appointed Director of Affirmative Action, reporting directly to Irving W. Rabb, Vice Chairman.

Mr. Cullen provides a point of reference, under both law and our own tradition, to insure that every applicant and every employee will receive equal opportunity in hiring, training and promotion without regard to race, religion, sex or national origin.

Similarly, Bradlees took a position of leadership in the all-important area of Toy Safety, developing in conjunction with government and industry its own high standards in the field.

Your Company has always taken a positive attitude towards the consumer movement because we believe it to be the right thing to do, as well as being good business.

For much the same reasons, we have introduced a total, Company-wide security program to reduce losses from shoplifting and other forms of dishonesty.

Such losses, amounting by careful estimate to more than $10,000,000 before taxes, cost everybody money, since they result in higher prices, which in turn lower the standard of living of the consumer.

During the year we kept current with developments in the area of electronic checkouts, installing a test checkout in one of our Boston Division supermarkets, without committing ourselves to any particular system.

Electronic checkout is a necessity for the future of the supermarket and discount department store, particularly in the light of the developing Universal Product Code, but because of the substantial investment required for such a system we are proceeding with careful speed in the whole area.

We have followed a similar course in our new store openings program and in the process have greatly strengthened the financial liquidity of the Company.

In all divisions, we closed 13 stores which were not profitable, by reason of age, location or size, and opened 16 which we expect will make a positive contribution to profits over the years.

Such strengthening of our corporate structure, coupled with our successful program to control overhead, has placed an extra burden on our people in terms of quality and intensity of effort. It is a measure of their capability that we have been able, at the same time, to go forward with our program of decentralizing corporate staff, with the pilot effort being concentrated in the area of personnel.

We are pleased to report that in November our Real Estate Division dedicated Springdale Mall, a fully enclosed all weather 350,000 square foot shopping center in Springfield, Massachusetts. The Mall was developed by our own Real Estate and Architectural specialists and features a Bradlees, Stop & Shop, Lechmere Sales and 20 other retail stores.

In March of 1973, we sold to Child World our three FunStop toy and leisure time stores, having concluded that the FunStop-type store does not belong in the retail framework of the Company.

We learned a great deal about the leisure time field, however, and will put the expertise developed during the FunStop experiment to good use in the expansion of the Toy and Leisure Time Departments in Bradlees stores.

In June, Carol R. Goldberg, Vice President and General Manager of the Boston Supermarket Division, and Dr. William F. Pounds, Dean of the Sloan School of Management at Massachusetts Institute of Technology, were elected Directors of the Company. Mrs. Goldberg is the first woman to serve on the Board.

In August, Stephen C. Espo was named Vice President and General Manager, Perkins Tobacco Company, and in November, Bernard A. Goldman joined the Company to be General Manager of our Manufacturing Division.

Lloyd D. Tarlin, Senior Vice President, retired this year with deep appreciation from all of us for his 42 years of service with the Company. He continues as Director.

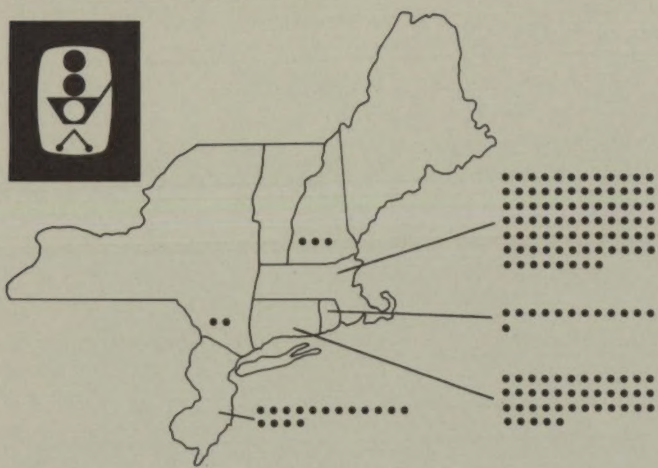
We expect 1973 to show a continuation of the improvement of this past year, with earnings growth outpacing increases in sales.

In conclusion, a word of thanks to our employees, our customers, our suppliers, our shareholders, who make it all possible.

Sidney R. Rabb
Chairman of the Board

Avram J. Goldberg
President

Stop & Shop Supermarkets



Stop & Shop Supermarkets continued a policy of directing its resources so as to generate the best possible return on investment, opening six new stores in the year, closing eight.

The openings showed a geographic balance; at Orleans, Acton and Springfield, Massachusetts; Avon-Simsbury and Ridgefield, Connecticut, and Wakefield, Rhode Island. The closings – a selective pruning to make the remaining branches more thriving – showed a similar balance and allowed us to remain strong in each market affected.

Seven foodstores underwent major remodeling, with emphasis on optimum utilization of available space, particularly in the frozen foods and perishables sections. The stores remodeled were Westgate Gardens and Crescent Street, Brockton; Waverly Street, Framingham; Memorial Drive, Cambridge; Lexington Street, Waltham; and Hadley, Massachusetts; and Groton, Connecticut.

The reopening of Memorial Drive was a nostalgic day for all of us, since we consider that our "Flagship" store. We were particularly pleased to see the familiar face of Bill Frank on hand for the exercises, since he represents the living continuity of our Company. Bill, who managed "Mem Drive" from the day it opened on October 20, 1948, formally retired in April, but he has stayed on in a part-time advisory capacity to our new young Manager, Sam Cron.

In spite of the burdens imposed upon the Supermarket Company by Phase II and III regulations, we proceeded on schedule with our more important programs: decentralization of corporate staff; continuing emphasis on the importance of the Store Manager; and research and testing of the electronic checkout.

This year saw the attainment of two major goals:

Full utilization of two efficient, full-line grocery operations based in Readville, Massachusetts and North Haven, Connecticut.

Total implementation of our Marlboro Meat Processing Plant, with our Quality Protected Beef Program operating in all stores in all divisions, with favorable acceptance by our customers.

We strengthened our emphasis on Stop & Shop brand foods, and in late February, 1973 took the anti-inflation step of offering our customers a 60-day guarantee of no rise in prices of 300 Stop & Shop brands.

We continued to lead in the field of consumerism, with heartwarming results in one of our pioneering efforts, the Consumer Board of Directors.

By year's end, 20 Consumer Boards were functioning in the Boston Supermarket Division, two in Connecticut and two in New Jersey. These "Mini Boards" are chaired by our local store managers, including where possible Bradlees and Medi Mart as well as Stop & Shop leadership.

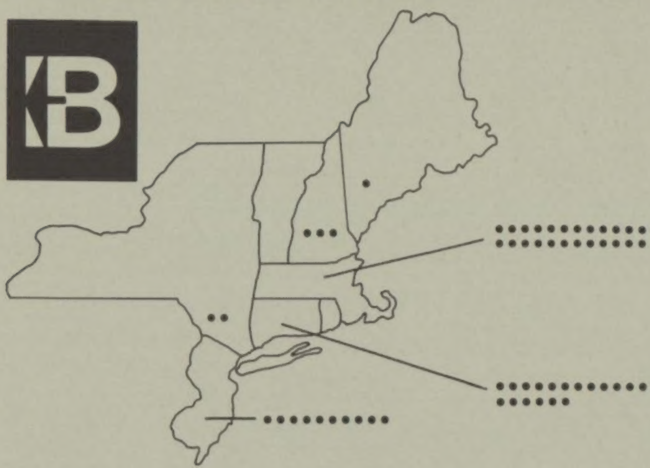
A suggestion from a board member was a key factor in the design of our "open dating" sign program. The Boards contributed substantially to worthwhile changes in many areas of Store Operations.

In a related development, we expanded substantially our program of busing for elderly shoppers, both in the "inner cities" so called, and in the suburbs.

To free Richard F. Spears, Vice President of the Supermarket Company, to take on responsibility for Corporate Buying, Distribution and Planning, Avram J. Goldberg, President of The Stop & Shop Companies, Inc., assumed direct operating responsibility for the Supermarket Company in August.

Irving Belansky was named General Merchandise Sales Manager.

Bradlees Discount Department Stores



Bradlees experienced a continuing successful sales and profit trend in 1972, matched by further implementation of the policy of strengthening store manager responsibility, simplifying market structure and emphasizing the 100,000 sq. ft. prototype store.

Four stores were opened in the year, at Pleasantville, New Jersey, Danbury, Connecticut and Hingham and South Yarmouth, Massachusetts. The Somerville, Massachusetts store underwent a major expansion and remodeling; the store at Dedham a complete remodeling. In line with the stated policy of stressing return on investment rather than growth for growth's sake and of redirecting our assets to their most profitable use, we closed the store at West Hartford, Connecticut.*

For the first time, we had total use of our new 450,000 sq. ft. warehouse at Braintree, Massachusetts for a full fiscal year. We supplemented that space by 40,000 sq. ft. leased at 101 Campanelli Circle, in our Braintree complex.

Bradlees market organization was restructured from five markets to seven, allowing the Company more easily to identify merchandising and promotional opportunities and to discover latent managerial skills.

That restructuring and continued emphasis on the 100,000 sq. ft. prototype store and managerial autonomy have been accompanied by a rising sales curve, from 189 million dollars generated by 50 stores in 1970, to more than 240 million dollars generated by 56 in 1972 (including licensees' sales).

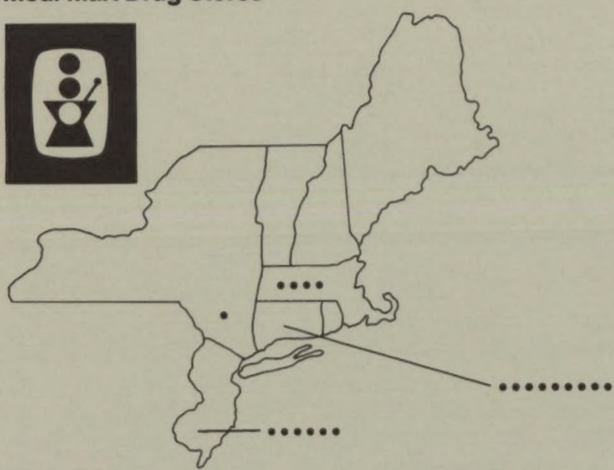
Two General Merchandise Managers were appointed, Julian Holiner and James M. Hyman; Holiner to oversee Men's, Boy's and Children's Wear Merchandising and Hyman over Hardlines, Domestic and Leisure Time Divisions.

Bradlees President Robert J. Futoran reports the principal emphasis continues to be on an upgrading of quality, with the extension of quality control to hardlines and the introduction of specification buying and quality control to whatever Bradlees buys for its vastly expanded private label line.

"The main thrust this year," says Futoran, "has been the development of our traditional classifications, with emphasis on establishing a position at the higher levels of the discount spectrum, of offering high quality and high fashion merchandise with the traditional discount store values."

*In what was actually fiscal 1973, but in time for this report, we opened new Bradlees in Salem, New Hampshire and Taunton, Massachusetts, giving us at this time a total of 58 stores in operation, a new high for Bradlees.

Medi Mart Drug Stores



Medi Mart Drug Stores continued through 1972 their happy blending of professionalism and community service with good business.

Medi Mart pharmacists filled a record number of prescriptions – both new business and refills – and also found time to lecture in a number of schools on the dangers of drug abuse.

The stores made available to the public a variety of literature on diabetes, poison antidotes and drug abuse, and took a leadership role in the dissemination of information about venereal disease.

Medi Mart opened new units in Hyde Park and Marlboro, Massachusetts, and at Avon-Simsbury, Connecticut, and planned the opening of a new store at Framingham, Massachusetts in the first quarter of 1973.

In line with the policy of selective growth rather than growth for growth's sake, the stores at East Brunswick and Wayne, New Jersey were closed.

Robert J. Levin, Medi Mart Vice President and General Manager, describes the openings and closings as "consistent with our philosophy of clustering geographic markets in order to create market impact in these areas.

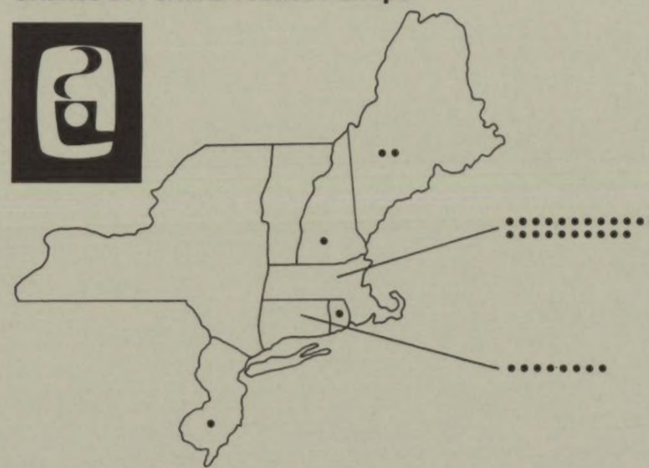
"Growth will continue to be selective in 1973 so we can continue to maintain those market objectives and expand in a sound business environment."

Levin reports the following personnel changes: Seymour Silverstein, General Merchandise Manager; Joseph Walsh, Marketing Manager; and Timothy Hays, Director of Store Systems and Planning.

Medi Mart established a Field Merchandising Advisory Committee, Senior Store Managers working with District Managers and the Marketing Manager – the better to attain the goal of total marketing manager responsibility.

For better control of inventory and smoother product flow, Medi Mart inaugurated a centralized Health and Beauty Aid products system.

Charles B. Perkins Tobacco Shops



Our newest division showed growing vitality in 1972, opening three new stores while restructuring its warehousing and distribution programs and continuing the development of its private label brands.

The new stores are in the Bradlees at Danbury, Connecticut; at Liberty Tree Mall in Danvers, Massachusetts, the first Perkins in a strong discounter regional mall; and at Livingston, New Jersey, the first Perkins in the New York/New Jersey market.

Perkins management was brought closer to related corporate activities by moving the division offices from 322 Summer Street, Boston to 393 D Street, Boston.

To integrate corporate tobacco procurement and distribution, the Perkins warehouse was moved from Boston to 1 Bradlees Circle, Braintree.

Refinement of the system continues, with the ultimate goal automation and computerization of order transmission, accounting and inventory controls.

Stephen C. Espo, Vice President and General Manager for Perkins, reports that by the end of 1973, this facility will be capable of supplying all retail divisions of The Stop & Shop Companies with all of their tobacco product needs.

Espo reports 1972 saw introduction of five new tobacco blends and the marketing of C. B. Perkins brand Tipped and Plain Little Cigars.

Accounting procedures were strengthened with the appointment of David Herrick as Manager of Accounting. In addition, Assistant General Manager Herbert Brav took on responsibility for product management at Braintree.

Brian Donovan at work.

Discussing work with Carol R. Goldberg

Store 59

Just as good fences make good neighbors, good stores make good customers.

It is not by chance, then, that some of Stop & Shop's best customers can be found at Store 59 on Wellington Circle in Medford, Massachusetts.

Store 59, by almost any yardstick, is a good store.

Last year it set new records for sales in a single week by a food store; for a single period by a food store, for a single year by a food store.

The question comes naturally, then, at Annual Report time:

What makes a store like 59 so good?

Brian Donovan, the Manager, says it is the atmosphere, the air of activity in the store.

"There's excitement in this store," Donovan says. "Shopping here is a pleasure. The store has variety. Good people shop here, good people work here."

Those customers include, he notes, an attorney and his wife who drive more than 30 miles every Friday night to shop at Wellington Circle.

There are others he knows who come 20 or 25 miles weekly to browse through the flower shop, make their own selections from the bulk produce, take home a loaf of hot bread.

When a new issue is out, they will probably pick up a copy of "Donovan's Digest", a mimeographed newsletter keeping the customer posted on what's going on by way of specials, contests and neighborhood news.

A visit to the store confirms Donovan's view they are good shoppers, and also his opinion good people work at the store.

To find out just what kind of people they are, we took an informal, highly unscientific survey, and found:

If the Stop & Shopper at Wellington Circle is a man, he is probably a high school graduate with a couple of years of college, and perhaps a degree.

He likes people, and may belong to the Moose, or the Knights of Columbus, or the Masons, or the Woodmen of the World, or the Lions, the Irish American Club (even though he's Italian), or the Holy Name Society.

He cares about his community, and takes part in Little League and Boys' Club Activities, most elections, joins in church activities.

If our Stop & Shopper is a woman, she may be working to pay her own way through college, or to help a son or daughter. She may belong to a Parent-Teacher Association, or work with the mentally retarded.

She may have children in grammar school or high school, or report with pride that one son has graduated

with honors from the University of Massachusetts and is now enrolled in dentistry school, that another child is at Boston University, a third about to complete high school.

Man or woman, our Stop & Shopper pays taxes on income, home and automobile, serves his country in time of war.

As a profile of Store 59 takes shape, one thing becomes very clear.

Far from being the "middleman" of the political speech, the typical Stop & Shopper is the Middle American, doing a job, paying his bills, caring for his family.

Brian Donovan changed his plans to become a teacher in his second year of college in order to go into the food business.

"Teaching is a great and important profession, but I decided it wasn't for me," he says today. "I like the excitement of the food business, of meeting people, of making a contribution to all of my customers and store employees."

His words have their echo in the comments of a woman who has spent more than 16 years with the Company, and is now about to retire:

"I have enjoyed working for Stop & Shop all those years. I like the people and enjoy working with people."

As we said, good customers make good stores, and so do the good people who work in them.

Pleasantville, New Jersey

On a motorist's map it is little more than 50 miles – a comfortable drive of an hour or so – from North Central New Jersey to Pleasantville, just outside Atlantic City in South Central New Jersey.

To the folks at Bradlees department store, Pleasantville was a retailing challenge as exciting in its way as a footstep on the moon.

North Central New Jersey is urban, industrialized, populous – the kind of environment in which Bradlees grew to maturity.

South New Jersey – Pleasantville – is farmland and seashore, slow-paced, open, separated from North New Jersey by the Pine Barrens.

When Bradlees decided three years ago to take that giant step, the geographic factors of a Pleasantville site posed the biggest challenges but offered the biggest rewards.

Pleasantville, at the junction of the Atlantic City Expressway running cross-state and the Garden State Parkway, running from north to south, is the gateway to the population centers developing east of Philadelphia and Wilmington.

But, from Bradlees headquarters at Braintree, Massachusetts, to Pleasantville is more than 300 miles. That made it not only a challenge, but a test of Bradlees' policy of making its Store Managers more and more autonomous.

In sum, the challenge was to make Pleasantville a store capable of operating almost as an independent unit while drawing on the Bradlees organization for its expertise in buying and merchandising, and with a manager sufficiently dynamic to help make the store a magnet pulling customers in from areas outside what might be considered its normal trading area.

That Manager must have a bent for merchandising, a sensitivity to the needs of the community, and experience in establishing and maintaining priorities in the operation of a successful store.

The choice was Rex Dotson, Manager of the Keyport, New Jersey Bradlees, a graduate of the University of North Carolina with wide experience in retailing.

As the design and then construction of the Pleasantville store went forward, Dotson was gradually drawn into the budgeting process, the selection of personnel.

He was relieved of his duties at Keyport in June, and then began the work of planning the advertising schedules, the merchandising strategies, staffing and training, receiving and setting up timetables.

For one week, Dotson and key aides toured Bradlees "superstores" – 100,000 sq. ft. prototypes – at Stratford, Norwalk and Danbury, Connecticut, and at Fall River and Springfield, Massachusetts.

In mid-August, he began to "set" the store, to arrange for receiving merchandise.

A special sub-warehouse was established at Vineland, New Jersey and through a system of daily shipments, stocking the store went forward on an hour-to-hour basis.

Polly Shaine, Vice President and General Merchandise Manager, recalls that time as one of excitement, of being able to showcase at Pleasantville all the things Bradlees had been developing in its individual stores.

Advertising, meanwhile, was doing exhaustive research on all area competition and media.

Pleasantville was treated as a special unit, combining all the resources of the advertising and research staffs into a powerful campaign involving newspaper, radio, circulars and billboards.

For the opening itself, in early October, cashiers were bussed in from as far away as Pittsfield, Massachusetts, to staff 54 cash registers necessary for the planned record-breaking week.

Opening day set a sales record for a single day – and the acceptance the store has achieved in its community is the best evidence that "the giant step" was a successful one – with good omens for the future.

Mrs. Sylvia Shaine and Rex Dotson at Pleasantville

Tammy Gowell, Supermarket and D Street, Employment Manager

Norman Darrer, Richard I. Shuman, Rex Dotson, at Pleasantville

Merrie Adele Ryan, Bradlees New York office with Pam Carberry and Penny Doeringsfeld at new Salem, New Hampshire store.

We believe the *Consumer* has the right to know the true price of what she buys.

Our *Customer* knows it as *Unit Pricing.*

We believe the *Consumer* has the right to know if a food product is fresh.

Our *Customer* knows it as *Open Dating,* done without codes.

We believe the *Consumer* has the right to participate in the establishment of practices and the making of policy at the place where she buys what is needed to keep a family well nourished, properly clothed and in good health.

Our *Customer* knows it as a S&S/Bradlees/Medi Mart *Consumer Board.*

We believe the *Consumer* has the right to know that anything we sell is wholesome and safe, especially toys for children.

Our *Customer* knows it as *Product Safety.*

We believe the *Consumer* has the right to know the value of the food we sell in a wholesome diet.

Our *Customer* knows it as *Nutritional Information.*

In each and every instance, we did these things before they were required to be done by regulation or legislation.

We did them, not only because they were the right things to do, but because they were good things to do for our business.

We at The Stop & Shop Companies, – in the Stop & Shop supermarkets, the Bradlees, the Medi Marts, the Perkins Tobacco Shops, the manufacturing divisions – believe in Consumerism because the *Consumer is our Customer and our Customer is the most important part of our business.*

A report on the reports about our new meat plant.

Family Living
MARGERY A. COSTA Editor
New Bedford, Mass., November 19, 1972

Boston Sunday Globe September 10, 1972
CONSUMER
Mass production technology for ...ging

New Britain Herald
Saturday, November 25, 1972
World of BUSINESS

THE HARTFORD TIMES, Saturday, Nov. 25, 1972
Better Meat Cuts Expected Locally

The Patriot Ledger, Tues., Nov. 14, 1972
Stop & Shop Beefs-Up Its Meat-Processing

SOUTH MIDDLESEX SUNDAY NEWS / Family Life
Society
Women
Home & Garden
SUNDAY, OCTOBER 22, 1972
Meat processing gets operating room technique

"We have the cleanest meat in the world"
Holyoke, Mass. Transcript-Telegram, Monday, November 20, 1972
Stop and Shop's New Meat Processing Plant Is Epitome Of Modern Technology

BROCKTON DAILY ENTERPRISE – SATURDAY, DECEMBER 2, 1972
New Processing Plant Based on Cleanliness
MEAT

THE NEW HAVEN REGISTER, WEDNESDAY, NOVEMBER 29, 1972
How Those Big Juicy Steaks Get That Way
Super Clean Meat Benefits Consumers

SUPERMARKET NEWS, MONDAY, JANUARY 1, 1973
Perishables
Stop & Shop 'Clean Room' Cost $15 Million

THE HARTFORD COURANT, Monday, November 20, 1972
New for Stop & Shop
One-of-a-Kind Meat Processing Facility Opens

Springfield Union, Springfield, Mass., Friday, Nov. 17, 1972
Food for the Famil...
Stop and Shop Devel... Concept in Meat Pr...

Supermarket New...
NEW YORK, N.Y. MONDAY, JANUARY 1, 1973
Stop & Shop's 'Operating Room'

Consolidated Ten-Year Financial Summary

Fiscal Year Ended *(In Thousands)*	2/3/73[c]	1/29/72
Sales	$994,469	907,734
Earnings: Pretax operating earnings	$ 10,803	4,500
Net operating earnings	$ 6,400	3,561
Extraordinary item, net of applicable income taxes	$ —	—
Total net earnings	$ 6,400	3,561
Reinvested in the business	$ 3,562	729
% of operating earnings to sales	.64%	.39%
Per share of common stock based on average number of shares outstanding during the year:		
Net operating earnings	$ 2.03	1.13
Total net earnings	$ 2.03	1.13
Cash dividends paid	$ 2,838	2,832
Cash dividends per share of common stock	$ .90	.90
Stock distributions	—	—
Current assets	$103,261	98,868
Current liabilities	$ 66,463	62,373
Working capital	$ 36,798	36,495
Current ratio	1.55	1.59
Total assets	$244,729	238,337
Retained earnings	$ 48,987	45,425
Stockholders' equity	$ 66,751	63,153
Number of shares outstanding less shares held in treasury at end of each fiscal year *(In Thousands)*	3,153	3,151
Stop & Shop Supermarkets:		
Opened and acquired	6	11
Closed	8	4
In operation at year end	154	156
Bradlees Department Stores:		
Opened and acquired	4	4
Closed	1	2
In operation at year end	56	53
Medi Mart Drug Stores:		
Opened	3	5
Closed	2	—
In operation at year end	19	18
Perkins Tobacco Shops:		
Opened and acquired	3	7
Closed	2	2
In operation at year end	34	33
FunStop Stores:		
Opened	—	2
Closed	3	—
In operation at year end	—	3

[a] In July 1966, the fiscal year end of the Company was changed to the Saturday nearest January 31, from the Saturday nearest June 30.

1/30/71	1/31/70	2/1/69[c]	1/27/68	1/28/67[a]	7/2/66	7/3/65[c]	6/27/64
789,950	720,478	654,822	566,361	507,506	469,850	423,173	391,418
10,052	14,123	11,811	9,645	8,243	5,789	8,867	8,177
5,637	7,445	6,736	6,113	5,456	3,463	5,254	4,907
—	—	—	1,773	—	—	—	—
5,637	7,445	6,736	7,886	5,456	3,463	5,254	4,907
2,819	4,691	4,001	5,391	3,037	1,180	3,579	3,734
.71%	1.03%	1.03%	1.08%	1.08%	.74%	1.24%	1.25%
1.80	2.40	2.22	2.02	1.80	1.14	1.72	1.61
1.80	2.40	2.22	2.61[b]	1.80	1.14	1.72	1.61
2,818	2,754	2,735	2,495	2,419	2,283	1,675	1,173
.90	.90	.90	.82½	.80	.75	.55	.40
—	—	—	—	—	—	3%	3%
91,900	87,263	67,700	52,830	50,778	46,300	41,297	34,976
41,841	54,294	35,224	28,114	28,733	24,900	23,488	19,383
50,059	32,969	32,476	24,716	22,045	21,400	17,809	15,593
2.20	1.61	1.92	1.88	1.77	1.86	1.76	1.80
200,638	188,305	158,432	133,028	124,992	120,745	112,824	105,395
44,696	41,877	36,825	32,824	27,433	24,973	23,793	21,831
62,150	59,251	53,040	48,659	43,254	40,795	40,453	36,801
3,134	3,129	3,048	3,025	3,024	3,024	3,070	2,955
16	4	9	8	5	4	2	4
6	3	5	9	10	6	4	4
149	139	138	134	135	139	141	143
1	1	6	7	5	7	7	6
—	3	—	—	2	1	—	—
51	50	52	46	39	36	30	23
7	3	3	—	—	—	—	—
—	—	—	—	—	—	—	—
13	6	3	—	—	—	—	—
7	21	—	—	—	—	—	—
—	—	—	—	—	—	—	—
28	21	—	—	—	—	—	—
1	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
1	—	—	—	—	—	—	—

[b] Includes $0.59 extraordinary item. [c] 53 Weeks

The Stop & Shop Companies, Inc. and Subsidiaries
Consolidated Balance Sheet

Assets	February 3, 1973	January 29, 1972
	(In Thousands)	
Current assets:		
Cash	$ 6,186	$ 5,150
Accounts receivable	5,106	4,737
Insurance claims for fire loss, inventory and business interruption (Note 5)	4,888	5,106
Receivable from mortgagees for construction costs covered by executed mortgage agreements	932	9,471
Inventories, at the lower of cost or market	83,518	72,753
Prepaid expenses	2,631	1,651
Total current assets	103,261	98,868
Fixed assets, at cost (Note 1):		
Land, buildings and improvements	111,103	107,980
Fixtures, machinery and equipment	78,462	72,102
	189,565	180,082
Less accumulated depreciation and amortization	66,707	58,359
	122,858	121,723
Leasehold improvements at cost less accumulated amortization	11,829	10,715
Net fixed assets	134,687	132,438
Book value of fixed assets affected by fire (Note 5)	2,725	2,725
Other assets:		
Notes receivable, etc. at cost	1,698	1,549
Deferred charges (Note 1)	2,358	2,757
Total other assets	4,056	4,306
	$244,729	$238,337

See accompanying notes to financial statements.

Liabilities and Stockholders' Equity	February 3, 1973	January 29, 1972
	(In Thousands)	
Current liabilities:		
Current portion of long-term debt	$ 4,371	$ 4,637
Accounts payable	42,005	44,978
Accrued expenses	12,169	8,536
Federal income taxes	7,918	4,222
Total current liabilities	66,463	62,373
Deferred federal income taxes	8,169	7,167
Long-term debt (Note 3):		
Capitalized lease obligation	9,485	9,665
Mortgage notes payable	52,736	52,404
Other notes payable	41,125	43,575
Total long-term debt	103,346	105,644
Stockholders' equity:		
Preferred stock; authorized 500,000 shares, none issued or outstanding	–	–
Common stock par value, $1 per share; authorized 7,500,000 shares, issued 3,212,915 shares and 3,210,940 shares, respectively (Note 4)	3,213	3,211
Capital in excess of par value of capital stock (Note 7)	15,858	15,824
Retained earnings (Note 3)	48,987	45,425
	68,058	64,460
Less cost of 60,299 shares in treasury	1,307	1,307
Total stockholders' equity	66,751	63,153
	$244,729	$238,337

Consolidated Statement of Earnings and Retained Earnings

	53 Weeks Ended February 3, 1973	52 Weeks Ended January 29, 1972
	(In Thousands)	
Retail sales	$994,469	$907,734
Cost and expenses:		
Cost of goods sold, buying and warehousing costs	794,985	730,060
Selling, store operating and administrative expenses	169,860	157,109
Depreciation and amortization (Note 1)	11,616	9,843
Interest on mortgages	3,798	3,034
Other interest (net)	3,407	3,188
	983,666	903,234
Earnings before federal income taxes	10,803	4,500
Federal income taxes (Note 2)	4,403	939
Net earnings	6,400	3,561
Retained earnings at beginning of year	45,425	44,696
	51,825	48,257
Less cash dividends paid	2,838	2,832
Retained earnings at end of year	$ 48,987	$ 45,425
Earnings per share of common stock based on average number of shares outstanding during the year	$ 2.03	$ 1.13
Cash dividends per share of common stock	$ .90	$ .90

See accompanying notes to financial statements.

Accountants' Report

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
ONE BOSTON PLACE
BOSTON, MASSACHUSETTS 02108

The Board of Directors and Stockholders
The Stop & Shop Companies, Inc.

We have examined the consolidated balance sheets of The Stop & Shop Companies, Inc. and subsidiaries as of February 3, 1973 and January 29, 1972 and the related statements of earnings and retained earnings and changes in financial position for the 53 weeks and 52 weeks respectively then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the ultimate realization of the insurance claims for fire loss as described in Note 5 to the financial statements, such financial statements present fairly the financial position of The Stop & Shop Companies, Inc. and subsidiaries at February 3, 1973 and January 29, 1972, the results of their operations and changes in their financial position for the 53 weeks and 52 weeks respectively then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

March 21, 1973

Peat, Marwick, Mitchell & Co.

Statement of Changes in Financial Position

	53 Weeks Ended February 3, 1973	52 Weeks Ended January 29, 1972
	(In Thousands)	
Funds provided:		
Net earnings	$ 6,400	$ 3,561
Less cash dividends paid	2,838	2,832
	3,562	729
Increase in deferred federal income taxes	1,002	1,551
Increase in long-term debt	—	5,228
Capitalized lease obligation (Note 1)	—	9,665
Sale of capital stock	36	274
Decrease in other assets	250	—
Decrease in working capital	—	13,564
	$ 4,850	$ 31,011
Used as follows:		
Excess of expenditures for fixed assets over depreciation and amortization:		
Expenditures for fixed assets, net	$ 13,865	$ 38,561
Depreciation and amortization	11,616	9,843
	2,249	28,718
Increase in other assets	—	2,013
Decrease in long-term debt	2,298	—
Due prior licensee for assets acquired	—	280
Increase in working capital	303	—
	$ 4,850	$ 31,011

Changes in working capital:		
Increase (decrease) in current assets:		
Cash	$ 1,036	$ (629)
Marketable securities	—	(7,336)
Accounts receivable	369	(390)
Insurance claims for fire loss (Note 5)	(218)	(3,005)
Receivable from mortgagees for construction costs	(8,539)	7,052
Inventories	10,765	12,140
Prepaid expenses	980	(864)
	$ 4,393	$ 6,968
Increase (decrease) in current liabilities:		
Current portion of long-term debt	(266)	973
Accounts payable	(2,973)	18,027
Accrued expenses	3,633	1,744
Federal income taxes	3,696	(212)
	4,090	20,532
Addition to (decrease in) working capital	$ 303	$(13,564)

See accompanying notes to financial statements.

1. Accounting Policies:

Principles of consolidation:

The consolidated financial statements include the accounts for the parent company and all subsidiaries.

Inventories:

Inventories are valued at the lower of cost or market, using the retail method for inventories in retail stores and standard costs, approximating current costs, for inventories in warehouses.

Fixed assets and depreciation:

The Company capitalizes interest during construction of major real estate.

Depreciation of fixed assets is computed on the straight-line method at rates which are sufficient to amortize the costs over their estimated useful lives:

Buildings	20 to 40 years
Equipment and fixtures	3 to 15 years
Automotive equipment	4 years

Cost of leasehold improvements is amortized on the straight-line method over periods of 10 to 15 years, or the life of the lease, if shorter.

Federal income taxes:

For federal income tax purposes, accelerated methods of computing depreciation are used wherever applicable and provision has been made currently for related deferred federal income taxes.

Store opening expenses:

The Company follows a policy of charging off all store opening expenses as incurred.

Deferred charges:

Certain research, development and start-up costs for the meat processing and packaging plant have been deferred and are being amortized over a five year period commencing in the year ended February 3, 1973.

Capitalized lease:

The Company's meat processing and packaging plant, built to the Company's specifications, is leased from the City of Marlborough, Massachusetts. The lease expires in 1998 and annual rentals will approximate $700,000. The Company has the right to terminate the lease prior to the expiration date and purchase the facility at a price determined principally by the amount required to enable the City to redeem related outstanding bond financing. Accordingly, the Company has recorded the land, buildings and equipment on the books as assets at cost and capitalized the related lease obligation as long-term debt.

2. Federal Taxes Charged to Income

	1972	1971
	(In Thousands)	
Current	$ 4,186	$ 146
Investment Credit	(785)	(758)
Deferred	1,002	1,551
	$ 4,403	$ 939

3. Long-Term Debt

	(In Thousands)
Industrial Revenue Bonds, 4.8% to 5.75%, maturing annually in increasing amounts from $185,000 to $685,000 from 1974 to 1998.	$ 9,485
Mortgage notes, 4% to 10½% (weighted average of 7.5%), maturing at annual rates of approximately $3,200,000 through 1978, at $2,300,000 from 1979 to 1993, and thereafter at smaller varying amounts through 1998.	52,736
Promissory note, 7.6%, maturing $2,450,000 annually from 1974 to 1988 and the balance payable in 1989.	41,125
	$103,346

The mortgage notes, although not signed by the Company or its subsidiaries, are secured by land, buildings and improvements costing approximately $88,539,000 and by assignments of intercompany lease agreements.

Under the terms of the 7.6% Promissory Note, through 1989 working capital must be maintained at $20,000,000 and certain restrictions with respect to payment of cash dividends or purchase or retirement of capital stock are in effect. As of February 3, 1973, approximately $8,300,000 of retained earnings was not so restricted.

4. Stock Options

Options under the Company's Qualified Plan are granted at 100% of market value at date of grant and expire in five years. Options are exercisable in four equal cumulative annual installments commencing 18 months after grant date.

At February 3, 1973, options to purchase 85,103 shares were outstanding (10,937 presently exercisable) at prices ranging from $14.50 to $34.00 per share.

Changes during the current year are summarized as follows:

	Number of Shares	
	Issuable Under Options Granted	Available For Option
Balance at beginning of year	52,008	102,697
Exercised at prices ranging from $16.38 to $19.00 per share – total $36,000 (Total market value on dates exercised $46,000)	(1,975)	–
Options granted	65,250	(65,250)
Cancellations and expirations	(30,180)	30,180
	85,103	67,627

5. Insurance Claims

In August, 1969, the Company's principal grocery distribution warehouse, located in Readville, Massachusetts, together with its related operating equipment and inventory contents was destroyed by fire. At the time of the fire the Company had in effect insurance coverage as to which several different insurers participated in various amounts, providing aggregate coverage for property damage and business interruption loss up to $30 million with respect to such location.

The Company has received insurance payments on account of such loss aggregating $19,202,000 from various of the insurers providing coverage for the first $20 million of such loss. The Company has instituted legal proceedings for the recovery of the $798,000 remaining unpaid of this first $20 million of loss, and in the opinion of its counsel should prevail in such proceedings. With respect to the $19,202,000 of proceeds referred to above, certain insurers have reserved the right to refunds up to $4,562,000 under certain circumstances which in the opinion of Company counsel are unlikely to occur.

Arbitration proceedings between the Company and the insurer whose policy covers loss between $20 million and $30 million have resulted in an award in favor of the Company of $10 million. The Company and this insurer are presently engaged in litigation relative to the liability of such insurer under certain provisions of the policy. Based on the opinion of its counsel, the Company believes such insurer is liable to reimburse the Company for such loss in excess of $20 million up to the maximum $30 million.

Pending ultimate recovery under all applicable insurance policies, the book value of the building and related equipment destroyed in the 1969 fire is shown separately in the balance sheets as of February 3, 1973 and January 29, 1972. Any significant difference between such book value and the amount actually recovered with respect thereto may eventually be shown, net of related taxes, as an extraordinary item in the Company's statement of earnings.

6. Rental Commitments

At February 3, 1973 the total minimum annual rentals payable to outsiders by the Company and its subsidiaries under leases amount to approximately $13,000,000 exclusive of real estate taxes, other expenses and additional rents based on percentage of sales. Of the minimum annual rental commitment approximately 58% related to leases expiring within fifteen years and approximately 93% to leases expiring within twenty years.

7. Capital in Excess of Par Value of Capital Stock

	1972	1971
	(In Thousands)	
Balance at beginning of year	$15,824	$15,566
Add:		
Excess over par value of proceeds from sale of capital stock to employees under stock option plan	34	258
Balance at end of year	$15,858	$15,824

8. Retirement Plan

The Company's non-contributory retirement plan is available to all employees meeting age and minimum length of service requirements other than certain union employees covered by union-sponsored plans. The Company's policy is to fund retirement costs accrued, which in the current year amounted to approximately $696,000 ($574,000 in 1971). As of February 3, 1973, total plan assets were more than sufficient to cover all vested benefit liabilities.

9. Wholly-Owned Realty Subsidiaries – Combined Balance Sheets

	February 3, 1973	January 29, 1972
	(In Thousands)	
Assets:		
Cash and receivables	$ 964	$ 9,502
Due from parent company	8,611	—
Fixed assets at cost:		
Land, buildings and improvements	88,539	85,641
Less accumulated depreciation and amortization	23,979	21,340
	64,560	64,301
Book value of fixed assets affected by fire (Note 5)	2,023	2,023
Other assets	568	574
	$76,726	$76,400
Liabilities:		
Current installments of long-term debt	$ 2,966	$ 2,917
Due to parent company	—	1,570
Accounts payable and accrued expenses	1,022	1,100
Deferred federal income taxes	2,406	2,260
Long-term debt, less current installments above (Note 3)	52,736	52,403
Parent company's equity:		
Capital stock	64	64
Retained earnings	17,532	16,086
	$76,726	$76,400

Officers and Directors

William Applebaum
Emeritus Lecturer on Food Distribution and Comparative Marketing, Harvard Graduate School of Business Administration.

Norman L. Cahners
Chairman of the Board, Cahners Publishing Company

Albert S. Frager
Treasurer and Chief Financial Officer

Donald A. Gannon
Retired President

Avram J. Goldberg
President and Chief Operating Officer

Carol R. Goldberg
Vice President, Boston Supermarket Division

Donald J. Hurley
Partner, Goodwin, Procter & Hoar

William F. Pounds
Dean, Sloan School of Management Massachusetts Institute of Technology

Irving W. Rabb
Vice Chairman of the Board and Chairman, Executive Committee

Norman S. Rabb
Retired Vice Chairman of the Board

Sidney R. Rabb
Chairman of the Board and Chief Executive Officer

Sidney L. Solomon
Director, Member of the Executive Committee, Federated Department Stores, Inc.

Lloyd D. Tarlin
Retired Senior Vice President

William W. Wolbach
President, The Boston Company
Chairman of the Board, Boston Safe Deposit and Trust Company

ANNUAL MEETING:
June 5, 1973 at 1:30 P.M. at the Company's offices. 393 D Street, Boston

TRANSFER AGENT:
The First National Bank of Boston

REGISTRAR:
The National Shawmut Bank of Boston

AUDITOR:
Peat, Marwick, Mitchell & Co.

GENERAL OFFICES:
393 D Street, Boston, Massachusetts 02210

SHARES TRADED ON:
Boston Stock Exchange
American Stock Exchange

THE STOP & SHOP COMPANIES INC.
Sidney R. Rabb, Chairman of the Board and Chief Executive Officer*
Irving W. Rabb, Vice Chairman of the Board and Chairman, Executive Committee*
Avram J. Goldberg, President and Chief Operating Officer*
Albert S. Frager, Treasurer and Chief Financial Officer*
Charles R. Carroll, Jr., Assistant to the President*
Frank A. Crowley, Vice President, Real Estate
Anthony DiNardo, Vice President, Personnel and Marketing Services
Harold E. Fine, Vice President, Engineering and Construction*
J. David Fine, Vice President, Labor Relations
Joseph L. Riemer, Jr., Vice President, Technical Services
Bernard Solomon, Vice President, Civic, Government and Community Affairs
Richard F. Spears, Vice President, Administration*
Louis P. Steinberg, Vice President, Advertising, Design and Sales Promotion
Norman C. Peterson, Controller*
Arthur S. Robbins, Assistant Financial Vice President and Assistant Treasurer*
Carmen J. Gentile, Assistant Treasurer*
Donald J. Hurley, Clerk*

STOP & SHOP SUPERMARKETS
Anast W. Giokas, Vice President, Sales
Spyros A. Gavris, Vice President, Meat Operations
Ralph J. Lordi, Vice President, Groceries
Carol R. Goldberg, Vice President, Boston Division
Sidney L. Goldstein, Vice President, Connecticut/New Jersey Divisions
Donald W. Stowbridge, Vice President, Stores Operations

MANUFACTURING AND QUALITY CONTROL
Arthur Norris, Vice President*
Bernard A. Goldman, General Manager, Manufacturing Division

BRADLEES DEPARTMENT STORES
Robert J. Futoran, President
Raymond J. Doyle, Vice President and Merchandise Controller
C. Robert Peacock, Vice President, Operations and Accounting
Sylvia P. Shaine, Vice President and General Merchandise Manager
Richard I. Shuman, Vice President, Sales Promotion

MEDI MART DRUG STORES
Robert J. Levin, Vice President and General Manager

CHARLES B. PERKINS TOBACCO SHOPS
Robert J. Levin, President
Stephen C. Espo, Vice President and General Manager

E. L. NASON CO. INC. and FARGO POTATO COMPANY
Philip Lane, General Manager

*Corporate Officer


Bradlee

The Stop & Shop Companies